THEORY

THE CHARTER AND MONOPOLIES

The Freedom Charter was adopted over 30 years ago, in 1955 at Kliptown. One of the best known and most discussed clauses of the Freedom Charter says :

> "The national wealth of our country, the heritage of all South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole..."

The Freedom Charter was drawn up at a time when national liberation was a distant goal. This demand regarding the national wealth,

* This article is based on a paper by Dr. Rob Davies of the Eduardo Mondlane University, Maputo. It was originally presented to an academic conference.

showed that already the people of South Africa were aware that liberation from oppression would depend also on big changes to the capitalist economic system. In particular, the Freedom Charter links national liberation with removing the strangle-hold of the big monopoly companies over our country.

The aim of this paper is to discuss the significance of this section of the Freedom Charter for a future, post-apartheid society. To understand fully the demand to transfer monopoly industry to the ownership of the people, it will be useful, in the first place, to look at the extent to which monopolies dominate present-day South African capitalism. In particular, we will highlight monopoly developments since the adoption of the Freedom Charter back in 1955.

THE DEVELOPMENT OF MONOPOLY CAPITALISM IN SOUTH AFRICA

South African capitalism has long been dominated by monopoly capitalism. In the early part of the 20th century, big monopolies in the mining industry, organised in the Chamber of Mines, dominated the South African economy. The mining monopolies were closely associated with big banks. It was only after 1945, that monopoly capitalism spread beyond mining and banking into other sectors of the economy. In the years after 1945, we can speak of 3 major periods in the development of monopoly capitalism in South Africa.

a. 1945 to the early 1960's

This is the period that runs from the end of the 2nd World War up till the crisis in the South African economy that followed Sharpeville. In this period, multi-nationals (that is, foreign companies with headquarters in places like New York, London, Paris and Frankfurt) built many subsidiary companies in South Africa. They brought advanced technology and new production methods. This development happened mainly in the manufacturing sector - in areas like cars, chemicals, and textiles. Through this development, monopolisation within South African captialism was extended to the manufacturing sector.

b. 1963 to 1973

This is the period of the post-Sharpeville boom (a period of rapid economic growth in South Africa). Besides the consolidation of monopoly capitalism in manufacturing, this period sees the beginnings of concentration and centralisation in agriculture. By the 1980's as much as 40% of white-owned farming land was held by just 5% of farmers! So you can see, monopolisation was beginning to reach deeply into agriculture as well.

During this same period, the different monopoly companies began a process of 'inter-penetration'. For example, a mining monopoly like Anglo American also began investing money in banking, manufacturing, insurance, property and agriculture. It established its own subsidiary (or junior) companies to control its interests in these sectors.

A monopoly company like Barlow Rand, which began in the manufacturing sector, acquired mining subsidiaries. Financial groups (that is, banking and insurance companies) like S.A. Mutual, and the Afrikaner-owned Sanlam and Volkskas acquired manufacturing, commercial and agricultural companies. Sanlam also acquired a mining company - Gencor.

This inter-penetration of monopoly companies also began to reduce the importance of the different 'national origins' of the monopoly companies. Non-Afrikaner monopolies (like Anglo American),Afrikaner monopolies (like Sanlam), and foreign multi-nationals all began buying into one another.

In this second period, the conglomerate (i.e. the big monopoly company with subsidiary companies in many sectors and big investments in other conglomerates) emerged as the dominant force in South African capitalism.

c. 1973 to the present

This is the period of deep political crisis in the apartheid system. Apart from a few years, this is also a time of deep economic crisis as well. As with all capitalist crises, this period has seen the disappearance of a large number of small capitalist firms. These small firms have been unable to cope with the crisis situation, Many have been swallowed up by the big monopolies. So we have seen even more centralising of control over production in the hands of monopoly conglomerates.

This process has now been greatly speeded up by the withdrawal of foreign multinationals in the last period, They have withdrawn because the mass struggles of the last few years have greatly reduced the profits of these foreign companies. They have been feeling the pressure of the international anti-apartheid disinvestment campaign. The withdrawal of some of these foreign companies has further strengthened local monopoly companies within the South African economy. For example with Ford's withdrawal, the Ford operation was incorporated into the Anglo American controlled Sigma Motor Company. Such deals greatly increase the wealth and power of local monopoly companies.

MONOPOLY INDUSTRY IN SOUTH AFRICA TODAY

In a recent phone-in programme on Radio 702, the acting UDF national publicity secretary, Cde. Murphy Morobe was asked by a white caller : "Doesn't your support for the Freedom Charter mean an end to free enterprise in South Africa?" Clearly the caller was very poorly informed. As a result of the massive monopolisation of the economy by big private and state owned corporations, 'free enterprise' is a myth.

To give just one example - 80% of shares on the Johannesburg Stock Exchange are now controlled by 4 monopoly groups : Anglo American, Sanlam, S.A. Mutual and Rembrandt! Besides these giant privately owned monopolies, one quarter of the wealth of the 130 biggest corporations is owned by state corporations. State corporations control central banking, communications (Post and Telegraphs), most of the transport sector (SATS), electricity

(Escom), iron and steel (Iscor), fuel from coal (Sasol), etc. All these are extremely strategic sectors.

It is clear that the South African economy today is dominated by a few giant corporations. At the time of the Congress of the People in 1955, monopoly capital controlled mining and banking, and it was only just beginning to move into manufacturing. Today, monopolies dominate all the main sectors of the economy - mining, manufacturing, agriculture, banking, wholesale and the retail trade and even service sectors like hotels, entertainment and tourism. The big monopoly conglomerates control vast empires, with hundreds of subsidiaries and associated companies.

It is against this background that any discussion on the significance of the Freedom Charter's economic demands must be understood. In today's conditions, the demand for transferring the monopolies to the ownership of the people can mean nothing less than establishing popular control over the major part of every sector of the entire South African economy.

NATIONALISATION AND SOCIALISATION

Transferring ownership of the monopolies to the people is sometimes regarded as simply nationalisation. But this is incorrect. There are many forms of nationalisation. Basically, all involve some kind of state ownership or control over a particular company. But state ownership or control over a company does not necessarily mean that there is popular control. Let us look at this more closely.

Nationalisation may take place under very different kinds of government. In advanced capitalist countries, for instance, the government may decide to nationalise an unprofitable industry because its continued operation is seen as necessary by the capitalist class as a whole. Let us say that it is a railway freight company that is privately owned. No individual capitalist is prepared any longer to run this company because it has stopped being profitable. But the whole capitalist class <u>needs</u> the railway freight company to export its goods. So the capitalist state decides to take over ownership and control. This form of nationalisation means basically that <u>all citizens</u> of this country are now forced (through the taxes they pay) to carry the cost of maintaining this unprofitable railway company, in the interests of the capitalist class.

Obviously this example of nationalisation has nothing to do with ownership by the people, and for the people. The decision to nationalise is made on behalf of the ruling class and its intersts. In apartheid South Africa there is a large nationalised sector (including SATS, Escom, Sasol, Iscor, etc.). These nationalised industries were created by racist minority regimes. Again, these nationalised industries are <u>not</u> under popular ownership and control. They are used to secure the economic and political survival of the ruling white bloc.

What is the difference between the Freedom Charter's demand for popular control of the monopolies, and these examples of nationalisation? There are two important differences.

In the first place, the government of a liberated South Africa, as seen by the Freedom Charter, will be different from the state of advanced capitalist countries. It will also be different from the apartheid state. The first clause of the Charter calls for a government of people's power. In South African conditions, such a government must, of necessity, be dominated by the working class, if it is to be truly democratic and representative. The economic clauses of the Freedom Charter can only be understood if they are related to its major political demand - The People Shall Govern! The future government of people's power will play a major role in implementing the economic clause of the Charter.

Nationalisation of the monopolies by a people's state will in South Africa, as elsewhere, be an essential element of deepening democratic control of the economy. But it is not enough. This brings us to the second important difference between simple nationalisation, and the real meaning of the Freedom Charter's demand regarding monopolies.

Here it is useful to introduce another concept - socialisation. By socialisation of the economy we refer to a broad process of collective control over the economy by the working people themselves. Socialisation of the economy cannot be limited to nationalisation. Nationalisation by a democratic, people's state is a necessary part in a process of socialisation. But only in combination with other changes.

Let us be more specific. If nationalisation is to contribute to a deepening process of socialisation, it needs to be accompanied

i) by the introduction of national economic planning in which the needs of the people, rather than profits for bosses, increasingly become the basis for decisions about where to put resources of money, machines and labour,

and ii) by changes in the organisation of management and the labour process. These changes must permit the workers to take increasing control over decisions at the level of the factory, mine, farm, shop etc.

The combination of these two levels is of great importance in any transition to a non-exploitative economy. The one level relates to central economic planning by a state of people's power. The other level relates to the decentralising move to greater workers' control at plant level. What is important is the correct combination of both the centralising and decentralising activities. A one-sided reliance on the actions of the central state can result in bureaucratic, undemocratic practices. On the other hand, a one-sided reliance on shop-floor power can give rise to workerist practices. In this latter case, there is an inability to distinguish between the short-term interests of particular groups of workers, and the longer term interests of the working class as a whole.

We have said that the Freedom Charter demand regarding monopoly industries calls for more than simple nationalisation. It calls for the transfer of the ownership of the monopolies to the people as a whole. We have argued that this is part and parcel of a process of socialisation of the main means of productsion in South Africa.

One final point must be made in this section. Nationalisation by a democratic people's state is certainly linked directly to the wider socialisation of the economy. But it is necessary to break with a mechanical understanding which thinks that nationalisation has to be completed before other economic changes can begin. In fact, significant advances towards socialised planning and workers' control at factory level may be made before the achievement of further nationalisation. Indeed, these may lay a firmer basis than nationalisations that are carried out too soon by a state lacking enough cadres to take over the running of many large enterprises.

This last point, as well as the general relationship of nationalisation to socialisation can be understood more clearly if we turn to a concrete example.

SOME REFLECTIONS ON THE MOZAMBICAN EXPERIENCE

In looking at Mozambique's struggle for a socialist transition, we are not holding it up either as a good or a bad model. Mozambique has its own conditions, which fix the limits and possibilities for change. It has its own history and traditions of struggle. All of these are different from those in South Africa. Nevertheless, Mozambique offers some useful points for reflection when discussing possible paths of change in South Africa.

After coming to power in 1975, Frelimo nationalised, as a deliberate measure, only the health service, legal practices, education, funeral services and rented property. Later, during the war with the Rhodesian Smith regime, the oil refinery and fuel distribution were nationalised. Apart from these areas, no deliberate, planned decision was taken to nationalise productive enterprises. Nevertheless, by 1982 only about one quarter of industry remained in private ownership.

The process by which the state in Mozambique came to control the vast bulk of productive enterprises, the banking sector, shopping outlets and the service sector was essentially one of <u>defensive</u> nationalisations. Large numbers of Portuguese colonial capitalists abandoned their enterprises after liberation. Often they did this after smuggling as much of their business property out of the country as they could. They even sabotaged that which they had to leave behind. In this situation, the Frelimo government was forced to move in and nationalise many of these enterprises.

At first, many people thought these take-overs were a positive move. They felt these would create a strong base for socialism. But, in fact, these steps were very disruptive to production. They greatly overstretched the existing number of Frelimo cadres. They made the introduction of a central planning process very difficult. State intervention became, in many cases, merely a response to emergencies caused by the actions of fleeing settler capitalists. State appointed managers sometimes had no previous experience of the sector to which they were sent. Often they could do little more than adopt day-to-day ad hoc measures to restore production.

These events were largley unavoidable. They had everything to do with the backward, underdeveloped situation that hundreds of years of colonialism had created in Mozambique. With all these problems, it is a great tribute to Frelimo and the working people of Mozambique that by 1977 they had stopped the fall in national production. In fact, between 1977 and 1981 production actually increased by 15%!

But the point we are trying to illustrate remains. The Frelimo government was unable to effectively manage and control all the nationalised enterprises. At the same time, the working class was not sufficiently organised to take collective control over the means of production at the enterprise level. In short, the process of nationalisation in Mozambique was far in advance of socialisation. Nationalisation reached a point where it was blocking the process of establishing an effective planning process and transforming production relations in the factories.

What we have so far considered was the general situation in Mozambique. But there were a number of cases where a different pattern was happening. One such example is the case of TEXLOM, a textile factory in Maputo.

The factory only started operating in 1973 - that is, shortly before Mozambique won independence in 1975. Because of this, the management were less attracted than many other managements to leaving immediately after independence. They still had to make profits on their investment! In the first year of TEXLOM's operation, there was little worker organisation or activity. After the progressive army coup in Portugal on 25 April 1974, a workers'committee was formed at TEXLOM. Changes were in the air, and the workers felt more confidence.

The committee demanded an end to racial discrimination in the factory, a revision of the wage scale, and opening of the canteen and company buses to all. The canteen and the buses were restricted to Portuguese workers and a few <u>assimilados</u> (educated blacks). When management refused to consider the demands, a strike broke out in July 1984. Management called the police, But in the new conditions the police refused to break the strike. Instead, they persuaded management to make concessions. The victorious workers returned home that night in the previously segregated buses!

As a result of this victory, management was forced to recognise the workers' committee. The committee was consulted on a number of key issues, and it negotiated several wage increases. This situation continued for some time after independence. Then in 1976 another conflict happened. Following the exodus of Portuguese foremen and technicians, management attempted to strengthen its position by promoting to supervisory positions a number of workers who were black impimpis. This move was opposed by the workers. They considered the new appointees unqualified.

The workers also saw the promotions as a move to strengthen management control. They refused to accept the new appointees, or to take orders from them.

There was a deadlock. The Frelimo state structures refused to back the position of management. The senior managers resigned, and so TEXLOM became a nationalised factory.

The point about the TEXLOM example is that the firm became nationalised as a result of workers' struggles at the plant itself. These struggles challenged the control of the bourgeois management on key questions. TEXLOM was nationalised as a result of worker action from below, and not in the first place as a result of defensive state intervention from above.

In 1980 when the factory was visited, it was clear that the experience of workers' shop-floor organisation and struggle in the factory had created a much firmer base for progressive state management than in many other nationalised enterprises. Workers had already begun to take part in decision-making. By 1980, a workers' production council was working together with the Frelimo appointed state management in running the factory.

Unfortunately, in recent years, progress at TEXLOM has been affected by the crisis created by destabilisation and the bandit war. But the first years of the TEXLOM experience are a very useful concrete, historical example.

CONCLUSION

Returning to the South African case. It is clear that the level of shopfloor power of the working class is much greater in South Africa than it was in Mozambique before liberation. Over 1 million South African workers are organised into progressive trade unions, which have a history of militant struggle. Already, questions of workers control have been raised in the course of struggles.

The South African working class has also developed a tradition of democratic, collective organisation. This applies not only in unions, but also in community and political organisations, as well as in the rudimentary organs of people's power. These are all points of strength in the broad South African liberation movement. They will have to be built on and developed in a struggle for economic transformation.

On coming to power, a people's government in South Africa will, of course, inherit the existing, already large state sector. At the same time, it will be obliged to make a number of immediate moves in the existing 'private sector'. For example, it will be necessary to establish effective control over the banking system at a fairly early stage. There is already a big and increasing outflow of money from the country. For some years all the major monopolies have been sending money out of the country. This is because they are scared of their future in South Africa. If a process of socialist transition begins, we can expect a rapid increase in the outflow of money, unless proper controls are immediately imposed.

State intervention will also be needed from the start in the struggle to realise the Freedom Charter's demands for jobs for all, decent housing and full social services. After liberation, we can expect a great increase in the number of people coming to the cities. But the trend in capitalist production is towards replacing jobs with more machines. In such circumstances, 'market forces' will not provide employment for a growing urban population. As an urgent priority, the state will have to establish new enterprises to satisfy both the needs of the people, and to provide jobs.

It will also be necessary at an early stage, to supervise and control the existing 'private sector' - with a view to transferring monopolies to popular control. The present structure of monopolies in South Africa may be turned to advantage. As we have seen, a small number of monopoly conglomerates control the vast bulk of the South African capitalist economy. Gaining control of the parent boards of Anglo American, Sanlam, S.A. Mutual, Rembrandt/Volkskas, Liberty Life and Anglovaal should provide a basis for a substantial measure of real control over the major, strategic decisions affecting most of capitalist production. This could be done without having immediately to take over the management of each of the hundreds of component subsidiary enterprises.

But none of these steps, or any other immediate priorities, would be helpful if all available cadres were absorbed in the taking over of day to day management in the large number of existing enterprises. This absorbing and over-extension could well happen if nationalisation went ahead too fast. It is precisely here that the question of shopfloor, workers' organisation will be of great importance. Workers organised at the point of production will be a key element in controlling the actions of the existing bourgeois managements. Many of these managements will have to remain at their posts for some time, if severe disruptions of production are to be avoided.

We have seen in the TEXLOM example that, at a certain point, the defensive struggle of workers against bourgeois managment is likely to pass over into a struggle over control of the enterprise itself. This is one possible route through which <u>part of the process</u> of transferring ownership of monopolies to the people might be accomplished.

This paper has raised many issues. There are two basic points that are of great importance :

i) In transferring the monopolies to popular control, all will not be possible on "one glorious day". It will be a <u>process</u>, a process that will involve overall strategies, and the setting of different immediate priorities, specific goals in different, specific situations. The transformation of the economy cannot be accomplished all at once.

ii) Action by a state of people's power <u>and</u> actions of workers organised at the point of production will have to be <u>combined</u> together. Only in this way will it be possible to realise the goal of transferring control of the monopolies to the people of South Africa.

QUESTIONS FOR DISCUSSION

1. Discuss the differences and the connections between nationalisation and socialisation of monopoly industries.

2. Discuss the writer's argument that a combination of state control from the centre, and workers' control from the base will be required for a liberated South African economy. Do you agree that a one-sided stress on state action, or on workers' shopfloor action can lead to mistakes?

3. What does the example of the struggles at the TEXLOM company in Maputo show?